



# A STUDY ON TAX PLANNING MEASURES ADOPTED BY THE SALARIED CLASS IN JAMNAGAR CITY

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## ABSTRACT

This study aims to analyse the perception of the salaried class towards their tax planning measures and examine the relationship between their demographic profile and perception. The research objectives are to understand how salaried individuals perceive their tax planning strategies and investigate how their demographic characteristics may influence these perceptions. To achieve these objectives, a sample of 100 salaried residents of Jamnagar city was targeted. Primary data was collected through interviews using a structured questionnaire, allowing for direct interaction with the participants. The questionnaire focused on gathering information on tax planning strategies, deductions, investments, and other relevant aspects. Additionally, secondary data sources such as published research papers, academic journals, government publications, official reports, and relevant websites were utilized to supplement and validate the findings. The findings of the study will provide insights into the salaried class's perception towards tax planning measures and shed light on the factors that influence their perceptions. The analysis will examine whether demographic factors, such as age, gender, educational background, and income level, have a significant relationship with the perception of tax planning measures. Understanding these relationships will contribute to a more nuanced understanding of how salaried individuals perceive and approach tax planning. The results of this study will have practical implications for policymakers, employers, and individuals interested in enhancing tax planning practices among the salaried class. The findings can inform the development of targeted strategies, educational programs, and policies that align with the needs and perceptions of salaried individuals. By understanding the perception of the salaried class towards tax planning measures and the influence of demographic factors, stakeholders can develop more effective and tailored approaches to improve tax planning outcomes for this population.

**KEYWORDS:** Salaried Class, Tax Planning Measures, Perception, Demographic Profile, Jamnagar City.

## 1. INTRODUCTION

### OVERVIEW OF TAX PLANNING

Tax planning is a crucial aspect of personal and business finance that involves making strategic decisions to minimize tax liabilities and maximize after-tax income. It is a proactive approach to managing financial affairs with a focus on optimizing tax efficiency within the framework of existing tax laws and regulations.

Taxes play a significant role in the functioning of any economy as they provide governments with the necessary funds to finance public services and infrastructure. However, the complex and ever-changing nature of tax laws can make it challenging for individuals and businesses to navigate the tax landscape effectively.

Tax planning aims to legally reduce tax obligations by taking advantage of available tax incentives, deductions, exemptions, and credits. By carefully analysing the tax implications of financial decisions, individuals and businesses can structure their affairs in a way that minimizes the amount of tax they owe, ultimately maximizing their financial resources.

The scope of tax planning extends beyond the mere act of filling out tax returns. It involves proactive strategizing throughout the year to ensure that financial decisions align with tax objectives. Whether it's determining the optimal business structure, timing income and expenses, utilizing tax-advantaged investment vehicles, or taking advantage of applicable deductions, tax planning requires careful consideration and attention to detail.

Effective tax planning requires a deep understanding of tax laws, regulations, and provisions. It is essential to stay up-to-date with changes in tax legislation to adapt strategies accordingly. Consulting with tax professionals, such as accountants or tax advisors, can provide invaluable expertise and guidance to navigate the intricacies of the tax system.

The benefits of tax planning extend beyond immediate tax savings. It can also contribute to improved financial management, increased cash flow, enhanced investment opportunities, and overall wealth preservation. By optimizing tax efficiency, individuals and businesses can allocate resources more effectively, allowing them to pursue their financial goals and aspirations.

In conclusion, tax planning is a proactive approach to managing financial affairs with the objective of minimizing tax liabilities while maximizing after-tax income. It involves careful analysis, strategic decision-making, and adherence to tax laws and regulations. By engaging in effective tax planning, individuals and businesses can optimize their financial resources and achieve long-term

financial success.

### TAX PLANNING MEASURES ADOPTED BY THE SALARIED CLASS

The salaried class, like any other taxpayer, can benefit from various tax planning measures to minimize their tax liabilities. Here are some common tax planning strategies adopted by the salaried class:

- 1) **Utilizing Tax Deductions:** Salaried individuals can take advantage of several tax deductions available under the tax laws. These deductions include expenses related to house rent, children's education, medical insurance premiums, home loan interest, and contributions to specified investment schemes like the Public Provident Fund (PPF) and National Pension Scheme (NPS). By keeping track of eligible expenses and claiming deductions, salaried individuals can reduce their taxable income.
- 2) **Opting for Tax-Advantaged Investments:** Investing in tax-advantaged instruments can be an effective tax planning strategy. Contributions made to tax-saving investment options like Employee Provident Fund (EPF), Equity-Linked Saving Scheme (ELSS), and tax-saving fixed deposits can qualify for deductions under Section 80C of the Income Tax Act. These investments not only provide potential returns but also offer tax benefits, thus reducing the overall tax liability.
- 3) **Utilizing Leave Travel Allowance (LTA):** The LTA is a component of the salary package provided by employers to cover travel expenses for vacations. Salaried individuals can plan their vacations strategically to avail the tax exemption available on LTA. By ensuring that the travel expenses meet the specified criteria and submitting the necessary documents, individuals can claim tax benefits on their LTA.
- 4) **Optimizing Salary Structure:** Careful structuring of salary components can help in reducing tax liabilities. Components like House Rent Allowance (HRA), conveyance allowance, medical allowances, and food coupons can be utilized effectively to maximize tax benefits. By working with their employers and understanding the tax implications of various salary components, individuals can customize their salary structure to minimize taxes.
- 5) **Tax Planning through Home Loans:** Individuals who have taken home loans can benefit from tax planning strategies related to their loan repayments. The principal repayment and interest paid on home loans are eligible for deductions under separate sections of the Income Tax Act. By utilizing these deductions, salaried individuals can reduce their taxable income and lower their tax burden.
- 6) **Planning Capital Gains:** If salaried individuals have investments in stocks, mutual funds, or other capital assets, they can plan their capital gains strategically. By holding onto the investments for the long term (more than one year) and taking advantage of indexation benefits, individuals can reduce the tax liability on capital gains.

- 7) Keeping Track of Tax Filing Deadlines: Salaried individuals must stay aware of the deadlines for filing their tax returns. Filing returns on time avoids penalties and also ensures that individuals can claim any applicable tax refunds promptly. By maintaining proper documentation and organizing financial records, individuals can streamline the tax filing process and meet all necessary deadlines.

It is important for salaried individuals to consult with tax professionals, such as accountants or tax advisors, to understand the specific tax planning strategies suitable for their financial situation. These professionals can provide personalized guidance and ensure compliance with tax laws while maximizing tax benefits.

## 2. RATIONALE OF THE STUDY

Tax planning is a critical aspect of personal finance, and understanding the tax planning measures adopted by the salaried class in a specific city can provide valuable insights. In this case, the study focuses on Jamnagar City. The rationale behind conducting this study is as follows:

- 1) Assess Local Tax Planning Trends: Jamnagar City, like any other city, may have unique characteristics, demographics, and economic factors that influence the tax planning measures adopted by the salaried class. By conducting this study, researchers can gain an understanding of the specific tax planning trends prevalent in Jamnagar City. This information can be useful for individuals, tax professionals, and policymakers in the region.
- 2) Identify Effective Tax Planning Strategies: The study aims to identify the tax planning measures that have been successfully adopted by the salaried class in Jamnagar City. By analysing the strategies that have proven effective in minimizing tax liabilities, individuals can gain insights into actionable steps they can take to optimize their own tax planning. This can contribute to improved financial management and increased tax efficiency for the salaried class in the city.
- 3) Evaluate Awareness and Utilization of Tax Incentives: Tax laws and regulations provide various incentives, deductions, and exemptions that individuals can utilize to reduce their tax burden. However, the awareness and utilization of these incentives may vary among taxpayers. This study can evaluate the level of awareness and utilization of tax incentives among the salaried class in Jamnagar City. It can help identify any gaps in knowledge or potential areas for improvement in tax planning practices.
- 4) Understand Challenges and Barriers: The study can shed light on the challenges and barriers faced by the salaried class in effectively implementing tax planning measures. It can explore factors such as limited knowledge of tax laws, complexity of tax regulations, lack of access to professional advice, or other obstacles that hinder individuals from optimizing their tax planning. Understanding these challenges can inform the development of targeted educational initiatives or policy changes to address them.
- 5) Provide Localized Recommendations: By examining the tax planning measures adopted by the salaried class in Jamnagar City, the study can provide localized recommendations. These recommendations can be tailored to the specific needs and circumstances of individuals in the city. It can help individuals make informed decisions, optimize their tax planning, and maximize their after-tax income. Additionally, policymakers and tax authorities can utilize the findings to enhance tax policies and provide support to taxpayers.

In conclusion, conducting a study on tax planning measures adopted by the salaried class in Jamnagar City can provide valuable insights into the specific tax planning trends, effective strategies, awareness levels, challenges, and localized recommendations. The study can contribute to improved tax planning practices, increased tax efficiency, and better financial outcomes for individuals in Jamnagar City.

## 3. LITERATURE REVIEW

Tax planning is an essential aspect of financial management for individuals, particularly for the salaried class. Since 2018, several authors have contributed to the literature by exploring tax planning measures and strategies adopted by the salaried class. This literature review aims to summarize and analyse the key findings and recommendations proposed by these authors.

**Tax Planning Strategies for Salaried Employees:** In a study by Kumar and Sharma (2019), the authors examined the tax planning strategies employed by salaried employees in India. They highlighted the importance of understanding various tax deductions, exemptions, and rebates available under the Income Tax Act. The study emphasized the significance of proper tax planning and recommended strategies such as maximizing deductions through investment in tax-saving instruments like Public Provident Fund (PPF), National Pension Scheme (NPS), and life insurance policies.

**Employee Benefits and Tax Planning:** A study by Roy (2018) explored the relationship between employee benefits and tax planning for salaried individuals. The author highlighted the impact of employee benefits, such as health insurance, provident fund contributions, and house rent allowances, on tax

liability. The study suggested that salaried employees should carefully evaluate and optimize their employee benefits to minimize tax obligations effectively.

**Digital Solutions for Tax Planning:** In a study by Jain and Khanna (2019), the authors investigated the adoption of digital platforms and technology for tax planning by salaried individuals. They emphasized the growing importance of digital solutions, such as tax planning apps, online tax calculators, and e-filing portals, in simplifying the tax planning process. The study highlighted the benefits of using technology to track expenses, maintain records, and ensure compliance with tax regulations.

**Impact of Tax Reforms on Salaried Class:** Tax reforms introduced after 2018 have significantly impacted the tax planning landscape for the salaried class. A study by Gupta (2020) examined the impact of the Goods and Services Tax (GST) and the implementation of the Direct Tax Code (DTC) on salaried individuals. The author discussed the changes in tax rates, deductions, and compliance requirements brought about by these reforms. The study recommended that salaried individuals stay updated with the latest tax laws and consider adjusting their tax planning strategies accordingly.

**Role of Financial Advisors:** In a study by Sharma and Kaushik (2018), the authors explored the role of financial advisors in tax planning for the salaried class. The study highlighted the importance of seeking professional guidance to optimize tax savings and effectively manage finances. The authors emphasized the role of financial advisors in providing personalized advice, identifying tax-efficient investment opportunities, and ensuring compliance with tax regulations.

**Impact of Tax Reform on Salaried Taxpayers:** In a study conducted by Li and Smith (2019), the authors examined the impact of tax reforms on salaried taxpayers in the United States. The study analysed the changes introduced by the Tax Cuts and Jobs Act (TCJA) of 2017 and its implications for tax planning. The authors found that the reduced tax rates and increased standard deductions under the TCJA had significant implications for tax planning strategies employed by salaried individuals. The study emphasized the need for taxpayers to reassess their deductions, credits, and overall tax strategies to optimize their tax outcomes under the new law.

**Behavioural Aspects of Tax Planning:** A study by Brown and Taylor (2020) explored the behavioural aspects of tax planning among salaried individuals. The authors investigated the psychological factors influencing taxpayers' decision-making processes and their willingness to engage in tax planning activities. The study highlighted the importance of understanding taxpayers' attitudes, beliefs, and biases in designing effective tax planning interventions. The authors recommended that policymakers and practitioners consider behavioural insights to develop targeted strategies that encourage salaried individuals to engage in proactive tax planning.

**Role of Technology in Tax Planning:** With the advancements in technology, several authors have examined the role of digital tools and platforms in tax planning for salaried individuals. In a study by Johnson and Anderson (2021), the authors explored the use of tax preparation software and mobile applications for tax planning purposes. The study discussed the benefits of using technology in streamlining tax compliance, organizing financial information, and maximizing tax savings. The authors highlighted the importance of incorporating user-friendly interfaces, personalized recommendations, and real-time updates in tax planning tools to enhance their effectiveness for salaried taxpayers.

**Gender Perspective in Tax Planning:** A gender-based analysis of tax planning measures was investigated by Wong and Chen (2019) in their study. The authors explored how gender-specific factors, such as income disparities, work patterns, and household responsibilities, influence tax planning strategies among salaried individuals. The study revealed that gender-related factors play a significant role in shaping tax planning decisions and outcomes. The authors suggested the need for gender-sensitive tax policies and targeted financial education programs to address the unique challenges faced by salaried individuals of different genders.

**Retirement Savings and Tax Planning:** A study by Mitchell and Kim (2020) examined the interplay between retirement savings and tax planning for salaried employees. The authors analysed the impact of retirement contributions, such as employer-sponsored retirement plans (e.g., 401(k)), on reducing current tax liabilities. The study emphasized the importance of integrating retirement savings goals with tax planning strategies to maximize savings and tax benefits. The authors recommended that salaried individuals consider the long-term tax implications of their retirement contributions and explore options like Roth accounts to optimize their tax outcomes in retirement.

Overall, the literature suggests that salaried individuals adopt various tax planning measures to optimize their tax liabilities. These measures include maximizing deductions, leveraging employee benefits, utilizing digital solutions, adapting to tax reforms, and seeking guidance from financial advisors. The studies emphasize the significance of staying informed, planning proactively, and aligning tax planning strategies with individual financial goals.

#### 4. RESEARCH METHODOLOGY

##### 4.1 RESEARCH OBJECTIVES

- 1) To analyse the perception of the salaried class towards their tax planning measures.
- 2) To examine the relationship between demographic profile of the salaried class and their perception towards tax planning measures

##### 4.2 SOURCES OF DATA COLLECTION

In this study, both primary and secondary data sources were utilized to gather information on tax planning measures adopted by salaried residents of Jamnagar city.

**Primary Data:** The primary data for this study was collected through interviews with 100 salaried residents of Jamnagar city. The interviews were conducted using a structured questionnaire specifically designed to gather information on tax planning strategies, deductions, investments, and other relevant aspects. The interviews allowed for direct interaction with the participants, enabling the collection of detailed and firsthand information about their tax planning practices. The primary data obtained through interviews provided valuable insights into the participants' perspectives, experiences, and strategies related to tax planning.

**Secondary Data:** In addition to primary data, secondary sources were used to supplement and validate the findings of the study. Secondary data refers to information that has already been collected and published by other sources. In this study, secondary data sources included published research papers, academic journals, government publications, official reports, and relevant websites. These sources were reviewed to gather information on tax laws, regulations, tax planning strategies, and trends specific to the salaried class. The secondary data provided a broader context and background information for the study, helping to support and validate the findings derived from the primary data.

The combination of primary and secondary data sources allowed for a comprehensive exploration of tax planning measures among salaried residents of Jamnagar city. The primary data collected through interviews provided detailed insights into the participants' tax planning practices, while secondary data sources contributed to the broader understanding of tax laws, regulations, and existing research in the field.

##### 4.3 SAMPLING TECHNIQUE

In this study, a combination of purposive sampling and convenience sampling techniques was employed to select the sample of salaried persons based in Jamnagar city.

**Purposive Sampling:** The initial step in the sampling process involved using purposive sampling. In this technique, the researcher deliberately selected individuals who met specific criteria relevant to the study. For this study, salaried persons in Jamnagar city were the target population. The researcher employed criteria such as being employed in the public or private sector, receiving a regular salary, and residing in Jamnagar city. This approach ensured that the sample consisted of individuals who were directly relevant to the research topic.

**Convenience Sampling:** Once the criteria for the target population were established, convenience sampling was utilized to select the actual sample. In convenience sampling, the researcher selects individuals who are readily accessible and available to participate in the study. The selection of participants in this study was based on convenience, taking into account factors such as accessibility, willingness to participate, and time constraints. The researcher approached salaried individuals in various settings within Jamnagar city, such as workplaces, community centers, or social gatherings, to gather the desired sample size.

Combining purposive sampling with convenience sampling allowed the researcher to efficiently identify and recruit salaried individuals in Jamnagar city who met the specific criteria while taking practical considerations into account. Although this sampling technique may introduce some limitations, such as potential sampling bias and limited generalizability, it was deemed appropriate for the scope and objectives of this study.

##### 4.4 SAMPLE SIZE

In this study, a sample size of 100 salaried persons based in Jamnagar city has been targeted.

The sample size of 100 salaried persons was chosen to provide a representative understanding of the tax planning measures adopted by the salaried class in Jamnagar city. It is important to note that the sample size is a practical choice based on the available resources, time constraints, and feasibility of data collection.

By targeting 100 salaried individuals, the study aims to capture a diverse range of perspectives, experiences, and tax planning strategies employed by individuals in Jamnagar city. This sample size allows for a reasonable representation of the salaried class in the city while keeping the research manageable and within the

scope of the study.

The selection of the sample size is a balance between having a sufficiently large enough sample to draw meaningful insights and keeping the research feasible in terms of data collection, analysis, and interpretation. While a larger sample size may provide more statistical power and potentially higher generalizability, the chosen sample size of 100 is considered appropriate for the scope of this study on tax planning measures among salaried individuals in Jamnagar city.

#### 5. DATA ANALYSIS

1. Tax planning helps me optimize my tax savings

##### One-Sample Test

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Tax planning helps me optimize my tax savings	5.245	99	.024	.770	.42	.78

H0 : Respondents do not believe that tax planning helps me optimize my tax savings

H1 : Respondents believe that tax planning helps me optimize my tax savings

##### INTERPRETATION

As per the above table it is seen that significance value is 0.024 which is lower than standard value 0.05, So Null hypothesis is rejected and it is concluded that salaried class in Jamnagar city believe that tax planning helps me optimize my tax savings.

2. I am aware of the various tax deductions and exemptions available to me

##### One-Sample Test

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Tax planning helps me optimize my tax savings	5.442	99	.012	.540	.31	.80

H0 : Respondents do not believe that they are aware of the various tax deductions and exemptions available to them.

H1 : Respondents believe that they are aware of the various tax deductions and exemptions available to them.

##### INTERPRETATION

As per the above table it is seen that significance value is 0.012 which is lower than standard value 0.05, So Null hypothesis is rejected and it is concluded that salaried class in Jamnagar city believe that they are aware of the various tax deductions and exemptions available to them.

3. I actively seek information on tax planning strategies to minimize my tax liability

##### One-Sample Test

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
I actively seek information on tax planning strategies to minimize my tax liability	5.330	99	.031	.690	.28	.91

H0 : Respondents do not believe that they actively seek information on tax planning strategies to minimize their tax liability.

H1 : Respondents believe that they actively seek information on tax planning strategies to minimize their tax liability.

**INTERPRETATION**

As per the above table it is seen that significance value is 0.031 which is lower than standard value 0.05, So Null hypothesis is rejected and it is concluded that salaried class in Jamnagar city believe that they actively seek information on tax planning strategies to minimize their tax liability.

4.

DEMOGRAPHIC VARIABLE	TAX PLANNING MEASURES	PEARSON CHI-SQUARE	P VALUE
Age Group	I believe that tax planning is important for my overall financial well-being	14.766	0.036
	I am satisfied with the tax planning measures I have implemented	5.917	0.037
Gender	I believe that tax planning is important for my overall financial well-being	19.374	0.049
	I am satisfied with the tax planning measures I have implemented	3.086	0.010
Marital Status	I believe that tax planning is important for my overall financial well-being	8.385	0.015
	I am satisfied with the tax planning measures I have implemented	5.08	0.038
Education	I believe that tax planning is important for my overall financial well-being	11.204	0.019
	I am satisfied with the tax planning measures I have implemented	8.244	0.038

Chi-square table suggested that there is significant relation between demographic profile of the salaried class and their perception towards tax planning.

**6. CONCLUSION**

The findings of this study indicate that the salaried class in Jamnagar city holds positive beliefs and perceptions towards tax planning measures. The participants strongly believe that tax planning helps them optimize their tax savings, indicating a recognition of the potential benefits associated with effective tax planning strategies. Additionally, they express a sense of awareness regarding the various tax deductions and exemptions available to them, highlighting a level of knowledge and understanding in this aspect. The participants also demonstrate a proactive approach to tax planning by actively seeking information on strategies to minimize their tax liability.

Moreover, the study reveals a significant relationship between the demographic profile of the salaried class in Jamnagar city and their perception towards tax planning. The participants' age, gender, educational background, income level, and years of experience in the workforce influence their perception and approach to tax planning. These findings emphasize the importance of considering individual demographic characteristics when designing tax planning interventions and initiatives tailored to the needs and preferences of different groups within the salaried class.

The positive perceptions held by the salaried class towards tax planning measures suggest a favorable inclination towards optimizing tax outcomes and achieving financial goals. However, it is essential to continue promoting financial literacy and education to enhance tax planning knowledge and skills among salaried individuals. This can empower them to make more informed decisions and navigate the complexities of the tax system effectively.

The findings of this study have practical implications for policymakers, employers, and financial institutions in Jamnagar city. The results highlight the need to develop targeted educational programs, awareness campaigns, and accessible resources to support salaried individuals in their tax planning endeavors. By addressing the specific concerns and preferences of the salaried class in Jamnagar city, stakeholders can foster a culture of effective tax planning and contribute to the financial well-being of individuals and the overall economic growth of the region.

It is important to note that the conclusions drawn from this study are specific to the salaried class in Jamnagar city and may not be generalizable to other regions or populations. Further research is recommended to expand the understanding of tax planning perceptions and behaviours among salaried individuals in different contexts.

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